

# ANNEXURE B



## **GARDEN ROUTE DISTRICT MUNICIPALITY**

**DETERMINATION OF INTERIM COST RECOVERING TARIFFS FOR  
BUDGET PURPOSES APPLICABLE TO THE PARTICIPATING  
MUNICIPALITIES**

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2014/05/25





## 2. INTRODUCTION

The Garden Route District Municipality Tender E/46/18-19 to provide the municipality with accounting support was allocated to Mubesko Africa (Pty) Ltd. A formal Service Delivery Agreement in terms of Section 12 of the Municipal Supply Chain Regulations was signed on 18 July 2019.

In terms of clauses 5.4 and 5.8 of the Service Delivery Agreement, Mubesko was instructed by the Chief Financial Officer to conduct a cost recovering calculation to determine tariffs based on the preliminary financial model performed by Atrenew. The emphasis of these tariffs is that it is only interim tariffs to serve as a basis for the participating B Municipality to assist their 2022/23 budgeting processes and that the final tariff structure would be determined after the first year of actual operations.

## 3. DISCLAIMER

This report is neither a legal interpretation nor a statement of Mubesko Africa (Pty) Ltd's policies.

The information, amounts, and recommendations revealed and disclosed in this document are based on documentation and orally conveyed information received from senior management of the municipality and their appointed consultants Atrenew.

Calculations presented are interim calculations and estimations and is, for this reason, no warranty of any kind regarding the accuracy, adequacy, validity, reliability or completeness of the information.

To the maximum extent permitted by applicable law, Mubesko Africa (Pty) Ltd shall not be liable for any direct, indirect, incidental, consequential or punitive damages or any loss of profits or revenues whether incurred directly or indirectly, goodwill or other intangible losses resulting from the content of this report.

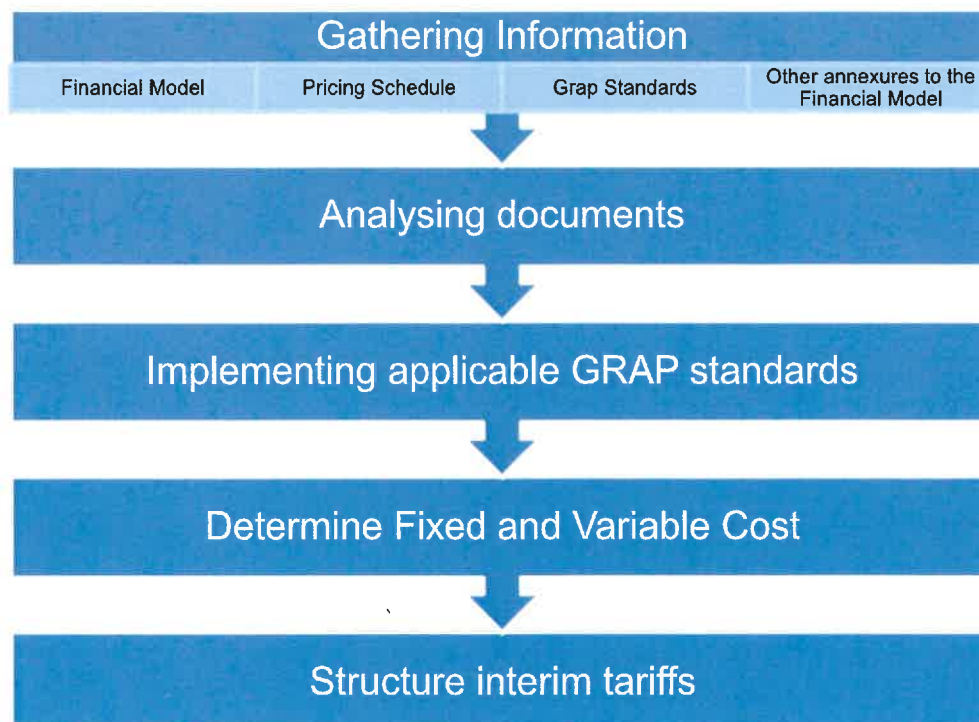
For planning purposes and in the context of the instruction to determine interim tariffs to be used by the participating B- Municipalities for their budget purposes, it is believed, however, that the calculations and estimations used to determine the interim tariffs would suffice the decision-makers need for information to make informed decision and would not negatively influence the integrity and correctness of this report.

## 4. PURPOSE

The purpose of this report is to provide the following outcomes:

- Indicate the cost as reflected in the financial model determined by Atrenew.
- In addition to the financial model cost structure, make provision to add all the applicable GRAP standards which would impact the cost structure.
- Determine the 10% administration fee for delivering the service by the Garden Route District Municipality, which must be included in the tariff structure.
- Indicate the impact of the provisions and reserves.
- Indicate the pro-rata allocation per B Municipality of the tariffs based on historical tonnage waste generated per individual Municipality.

## 5. METHODOLOGY FOLLOWED



The emphasis of the analysis is solely to determine interim tariffs based on the assumptions and calculations performed by Atrenew and in addition to making provision for compulsory GRAP standards.

Therefore, it must be noted that the result of this interim tariff structure is **temporally** in nature and would only be applicable and fixed for the first year since operations have commenced.

After a year of operations, a history of the real cost would then be available, with which more accurate and reliable numbers make it possible to determine reliable long-term **future tariffs, which would be revised annually.**

In the financial modelling provided by Atrenew, they have indicated that the figures and numbers reflected in the model should be used as indicative only and in no way represent an offer or a final price for the project and that the assumptions and calculations are preliminary. Furthermore, the accurate cost would only be available after the finalisation of the legal tender process.

Therefore, this analysis is not to replace, criticise or scrutinise for accuracy of the financial model, but only to determine **interim tariffs as accurate as possible until the final project cost is known.**

## 6. FINANCIAL MODEL

According to the Financial model, the landfill cell is designed with a capacity to be of service for 20 years.

The loan to be raised to finance the CAPEX is also for 20 years to match the useful life of the cells and the accompanying other infrastructure assets. Although the vehicles and some of the equipment would have much shorter useful lives, the greater majority of the useful lives are 20 years, and therefore the loan would be for 20 years.

For this very reason, the total CAPEX is determined for 20 years at a borrowing rate of 13% per annum. (This rate is a provisional rate offered by bank institutions). This would only be applicable for the first year interim period. A more accurate and detailed breakdown of the CAPEX in its useful lives categories would be calculated when the final real cost is available after the allocation of a tender offer and when the borrowing is finalised accordingly. Only then would accurate and reliable future final tariffs for the long term be fixed.

The schedule on the following page provides the estimated breakdown calculated per participating B- Municipality.

GRDM REGIONAL LANDFILL							
PRICE SCHEDULE ADJUSTMENTS - as amended 01/2022			Option A: 10-Years and 12m height				
ITEM	DESCRIPTION	Monthly quantity (ton) for bidding purposes	Total	Mossel Bay	George	Knysna	Bitou
	Monthly tonnages split		7 565	2 507	3 155	1 094	809
	Monthly tonnages percentage split		100%	33%	42%	14%	11%
<b>A.1</b>	<b>FIXED PORTION OF UNITARY FEE FOR ALL DISPOSAL SITE AND RELATED OPERATIONS</b>						
	Contractual requirements (includes all costs required to deliver/undertake the Service as per Technical Specifications including the Briefing Note 1 instructions)						
A.1.1	Mossel Bay Regional Landfill Site - General waste only	7 565	R 37 189 039	R 13 059 299	R 16 437 090	R 3 476 422	R 4 216 229
A.1.6	Chipping	7 495	R 0	R 0	R 0	R 0	R 0
A.1.7	Mossel Bay Regional Landfill Site – Hazardous waste only	6	R 18 323	R 6 071	R 7 641	R 2 651	R 1 960
A.1.8	Crushing of Builders Rubble	14 435	R 0	R 0	R 0	R 0	R 0
<b>A.1</b>	<b>SUBTOTAL A.1 (carried forward to summary)</b>		<b>R 37 207 362</b>	<b>R 13 065 370</b>	<b>R 16 444 731</b>	<b>R 3 479 072</b>	<b>R 4 218 189</b>
<b>A.2</b>	<b>VARIABLE PORTION OF UNITARY FEE FOR ALL DISPOSAL SITE AND RELATED OPERATIONS</b>						
	Contractual requirements (includes all costs required to deliver/undertake the Service as per Technical Specifications including the Briefing Note 1 instructions)						
A.2.1	Mossel Bay Regional Landfill Site - General waste only	7 565	R 2 704 475	R 896 087	R 1 127 860	R 391 225	R 289 304
A.2.6	Chipping	7 495	R 0	R 0	R 0	R 0	R 0
A.2.7	Mossel Bay Regional Landfill Site – Hazardous waste only	6	R 2 062	R 683	R 860	R 298	R 221
A.2.8	Crushing of Builders Rubble	14 435	R 0	R 0	R 0	R 0	R 0
<b>A.2</b>	<b>SUBTOTAL A.2 (carried forward to summary)</b>		<b>R 2 706 537</b>	<b>R 896 770</b>	<b>R 1 128 719</b>	<b>R 391 523</b>	<b>R 289 524</b>
<b>A.1 + A.2</b>	<b>SUBTOTAL A.1 plus A.2</b>		<b>R 39 913 899</b>	<b>R 13 962 140</b>	<b>R 17 573 451</b>	<b>R 3 870 596</b>	<b>R 4 507 713</b>
	Rehabilitation fund		R 1 575 476	R 522 010	R 657 028	R 227 906	R 168 532
	<b>SUBTOTAL INCLUDING REHABILITATION FUND</b>		<b>R 41 489 375</b>	<b>R 14 484 150</b>	<b>R 18 230 479</b>	<b>R 4 098 501</b>	<b>R 4 676 245</b>
	GRDM administration fee	10%	R 4 148 938	R 1 448 415	R 1 823 048	R 409 850	R 467 625
	<b>SUBTOTAL INCLUDING GRDM ADMINISTRATION FEE</b>		<b>R 45 638 313</b>	<b>R 15 932 565</b>	<b>R 20 053 527</b>	<b>R 4 508 351</b>	<b>R 5 143 870</b>
	<b>Plus 15% VAT</b>	<b>15%</b>	<b>R 6 845 747</b>	<b>R 2 389 885</b>	<b>R 3 008 029</b>	<b>R 676 253</b>	<b>R 771 580</b>
<b>TOTAL COST OPTION A (YEAR 1) (INCLUDING VAT)</b>			<b>R 52 484 060</b>	<b>R 18 322 449</b>	<b>R 23 061 556</b>	<b>R 5 184 604</b>	<b>R 5 915 450</b>

## 7. GRAP STANDARDS TO BE APPLIED IN THE FUTURE ACCOUNTING

### 6.1.1 GRAP 32 SERVICE CONCESSION

The following terms are used in this Standard with the meanings specified:

A **grantor** (for this Standard), is the entity that grants the right to use the service concession asset to the operator.

A **mandated function** involves the delivery of public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An **operator** (for this Standard), is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A **service concession arrangement** is a contractual arrangement between a grantor and an operator in which:

- a) the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period; and
- b) the operator is compensated for its services throughout the service concession arrangement.

A **service concession asset** is an asset used to provide a mandated function in a service concession arrangement that:

- a) is provided by the operator which:
  - i) the operator constructs, develops, or acquires from a third party; or
  - ii) is an existing asset of the operator;
- If the grantor controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute finance or an operating lease, the grantor needs to recognise its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.
- In terms of the Standard of GRAP on Revenue from Exchange Transactions (GRAP 9), the exchange consideration shall be recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, shall reflect the value of the service concession asset as if it were already in the age and the condition expected at the end of the service concession arrangement.
- The type of compensation exchanged between the grantor and the operator affects how the fair value of the service concession asset is determined on initial recognition. Where payments are made by the grantor to the operator, the fair value on initial recognition of the asset represents the portion of the payments paid to the operator for the asset.
- GRAP 16, GRAP 17, GRAP 31 and GRAP 103 require initial measurement of an asset acquired in an exchange transaction at cost, which is the cash price equivalent of the asset. For exchange transactions, the transaction price is considered to be fair value,



unless indicated otherwise. Where the asset and service components of payments are separable, the cash price equivalent of the service concession asset is the present value of the service concession asset component of the payments.

- When the grantor recognises the right to receive a residual interest in the service concession asset, the grantor shall also recognise its performance obligation for granting the operator access to the service concession asset by the substance of the arrangement. The value of the performance obligation shall be the same as the receivable interest recognised at the commencement of the service concession arrangement.
- Where the grantor recognises a service concession asset, the grantor shall also recognise a liability. The liability recognised shall be initially measured at the same amount as the service concession asset.
- Where the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the grantor shall account for the liability recognised.
- The grantor shall allocate the payments to the operator and account for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.
- The finance charge and charges for services provided by the operator in a service concession arrangement determined shall be accounted for as expenses.
- If the present value of the asset portion of the payments is greater than fair value, the service concession asset is initially measured at its fair value.
- After initial recognition, a grantor applies GRAP 16, GRAP 17, GRAP 31 and GRAP 103 to the subsequent measurement and derecognition of a service concession asset. To apply GRAP 16, GRAP 17, GRAP 31 and GRAP 103, service concession assets should be treated as a separate class of assets. GRAP 21 and GRAP 26 are also applied in considering whether there is any indication that a service concession asset is impaired. These requirements in these Standards are applied to all assets recognised or classified as service concession assets by this Standard.
- When the liability is recognised, the grantor provides compensation to the operator for the cost of the service concession asset and service providers in the form of a predetermined series of payments, an amount reflecting the portion of the predetermined series of payments that pertains to the asset is recognised as a liability. This liability does not include the finance charge and service components of the payments.

#### 6.1.2 APPLICATION OF GRAP 32

At this stage, it is not clear what the extent of the outsourcing of the operations of the landfill would be and what is entailed in the contract regarding assets.

Unknown issues such as:

- Are the assets used by the operator to remain the property with the municipality after the contract lapsed?
- What would be the term of the contract?



This outstanding information makes it impossible to differentiate between separable components of their payment to the operator to determine a fair value of a possible concession asset and liability.

For this very reason, only the cost of the outsourcing would be included as a variable cost portion of the cost recovering tariff. The annual depreciation of the asset is for this interim tariff excluded due to the fact of the present unknown factors of a future contract.

## 6.2 GRAP 19 PROVISIONS

.07 For this Standard, “social benefits” refers to goods, services and other benefits provided in the pursuit of the social policy objectives of a government.

These benefits may include:

- a) the delivery of health, education, housing, transport and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and
- b) payment of benefits to families, the aged, the disabled, the unemployed, veterans and others. That is, the government at all spheres may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.

.08 In many cases, obligations to provide social benefits arise as a consequence of government's commitment to undertake particular activities on an ongoing basis over the long term to provide particular goods and services to the community.

The need for, and nature and supply of, goods and services to meet social policy obligations will often depend on a range of demographic and social conditions and are difficult to predict. These benefits generally fall within the “social protection”, “education” or “health” classifications under the International Monetary Fund's Government Finance Statistics framework and often require an actuarial assessment to determine the amount of any liability arising in respect of them.

- A **binding arrangement** is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.
- A **constructive obligation** is an obligation that derives from an entity's actions where:
  - a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
  - b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities
- A **legal obligation** is an obligation that derives from:
  - a) a contract (through its explicit or implicit terms);
  - b) legislation; or
  - c) other operation of law.
- **Liabilities** are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

- **Binding arrangements** can be evidenced in several ways:
  - a) a contract concluded between the parties;
  - b) legislation, supporting regulations or similar means including, but not limited to, laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders; or
  - c) through the operation of law, including common law.
- **Provisions**

A provision shall be recognised when:

  - a) an entity has a present obligation (legal or constructive) as a result of a past event;
  - b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
  - c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.
- **Best estimate**

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.
- **Present value**

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.
- **Changes in provisions**

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

### 6.3 IGRAP 2 - RESTORATION OF LANDFILL LIABILITY

#### **Consensus**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation or a change in the discount rate, shall be accounted for by paragraphs .05 to .07.

.05 If the related asset is measured using the cost model:

- a) Subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.
- b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

- c) - If the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount and shall account for any impairment loss, following the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets.

#### 6.4 APPLICATION OF GRAP 19 AND iGRAP 2

The Municipality has a legal obligation to rehabilitate and decommission the landfill facility after it has reached the end of its useful life and is therefore obliged in terms of the legislation to make accounting provisions for the future liability within the prescriptions as set out above.

The recognition of the provision liability also entails the recognition of an asset in terms of GRAP 17, which equals the liability at first time recognition. The asset is therefore subject to annual depreciation as a subsequent measurement.

The provision has to be adjusted annually, and for this reason, an annual current best estimate must be recognised. The provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

**IF** the time value of the liability is material, the liability and the asset value would be adjusted accordingly, of which the adjustment would then be comprised of finance charges (to reflect the passage of time) and a portion increasing the asset.

The asset value would be depreciated on the straight-line method over the useful life period of the asset.

#### 6.5 SUMMARY OF GRAP IMPLICATIONS

##### 6.5.1 SERVICE CONCESSIONS ASSET

It would be applicable, but only after the conclusion of the outsourcing contract.

##### 6.5.2 PROVISION FOR REHABILITATION AND DEPRECIATION

As the best estimate, a preliminary previous report to determine the rehabilitation cost is utilised, of which the result is as follows;

Total rehabilitation cost for General Refuse and Hazardous waste as of 30 June 2021: R61 221 000

To apply the prescriptions of GRAP 19 to determine and apply the time value of money, the calculation is based on the following assumptions:

Annual Inflation rate: 5.5%

20 Year Bond rate: 10%

The present value of the calculated provision of R61 221 000, when inflated with 5.5% per annum for 20 years, would result in a total future rehabilitation cost of R178 628 031.33.

When the time value of money is applied, the Present Value of the inflated Future value of R178 628 031 would be R24 249 570.53



With the first-time recognition of the estimated Rehabilitation cost, the Provision Liability and the Provision Asset would then be R24 249 570.

The table below indicates the projected estimated annual increases in the Provision (figures shown in red) and reflects the increase in the provision, which would be discounted in the future tariff structure.

Engineer current Estimated Rehabilitation cost		R61 221 000.00			
Projected discounted increase	Year	Inflation Rate	Inflation adjusted Rehabilitation cost	Projected annual Increase	
-R457 106.66	1	5.50%	R64 588 155.00	R3 367 155.00	
-R532 883.52	2	5.50%	R68 140 503.53	R3 552 348.53	
-R621 222.28	3	5.50%	R71 888 231.22	R3 747 727.69	
-R724 205.40	4	5.50%	R75 842 083.94	R3 953 852.72	
-R844 260.55	5	5.50%	R80 013 398.55	R4 171 314.62	
-R984 217.85	6	5.50%	R84 414 135.47	R4 400 736.92	
-R1 147 376.56	7	5.50%	R89 056 912.92	R4 642 777.45	
-R1 337 582.91	8	5.50%	R93 955 043.13	R4 898 130.21	
-R1 723 049.39	9	5.50%	R99 122 570.51	R5 167 527.37	
-R2 008 687.91	10	5.50%	R104 574 311.88	R5 451 741.38	
-R2 341 678.15	11	5.50%	R110 325 899.04	R5 751 587.15	
-R2 729 869.84	12	5.50%	R116 393 823.49	R6 067 924.45	
-R3 182 414.01	13	5.50%	R122 795 483.78	R6 401 660.29	
-R3 709 978.70	14	5.50%	R129 549 235.39	R6 753 751.61	
-R4 325 000.41	15	5.50%	R136 674 443.33	R7 125 207.95	
-R5 041 977.36	16	5.50%	R144 191 537.71	R7 517 094.38	
-R5 877 811.16	17	5.50%	R152 122 072.29	R7 930 534.57	
-R6 852 205.30	18	5.50%	R160 488 786.26	R8 366 713.98	
-R7 988 129.63	19	5.50%	R169 315 669.51	R8 826 883.24	
-R9 312 361.82	20	5.50%	R178 628 031.33	R9 312 361.82	

The annual Rehabilitation Asset would be depreciated over the 20 years useful life period of the recognised Asset, and it is projected to be as follows:

DEPRECIATION						
Year	Book value beginning	Additions in terms of iGRAP 1	Total	Depreciation		Book Value
1	R24 249 570.53	R457 106.66	R24 706 677.19	R1 235 333.86		R23 471 343.33
2	R23 471 343.33	R532 883.52	R24 004 226.85	R1 263 380.36		R22 740 846.49
3	R22 740 846.49	R621 222.28	R23 362 068.77	R1 297 892.71		R22 064 176.06
4	R22 064 176.06	R724 205.40	R22 788 381.46	R1 340 493.03		R21 447 888.43
5	R21 447 888.43	R844 260.55	R22 292 148.99	R1 393 259.31		R20 898 889.68
6	R20 898 889.68	R984 217.85	R21 883 107.53	R1 458 873.84		R20 424 233.69
7	R20 424 233.69	R1 147 376.56	R21 571 610.25	R1 540 829.30		R20 030 780.95
8	R20 030 780.95	R1 337 582.91	R21 368 363.86	R1 643 720.30		R19 724 643.56
9	R19 724 643.56	R1 723 049.39	R21 447 692.96	R1 787 307.75		R19 660 385.21
10	R19 660 385.21	R2 008 687.91	R21 669 073.12	R1 969 915.74		R19 699 157.38
11	R19 699 157.38	R2 341 678.15	R22 040 835.53	R2 204 083.55		R19 836 751.97
12	R19 836 751.97	R2 729 869.84	R22 566 621.82	R2 507 402.42		R20 059 219.39
13	R20 059 219.39	R3 182 414.01	R23 241 633.40	R2 905 204.18		R20 336 429.23
14	R20 336 429.23	R3 709 978.70	R24 046 407.93	R3 435 201.13		R20 611 206.79
15	R20 611 206.79	R4 325 000.41	R24 936 207.21	R4 156 034.53		R20 780 172.67
16	R20 780 172.67	R5 041 977.36	R25 822 150.03	R5 164 430.01		R20 657 720.03
17	R20 657 720.03	R5 877 811.16	R26 535 531.18	R6 633 882.80		R19 901 648.39
18	R19 901 648.39	R6 852 205.30	R26 753 853.69	R8 917 951.23		R17 835 902.46
19	R17 835 902.46	R7 988 129.63	R25 824 032.09	R12 912 016.04		R12 912 016.04
20	R12 912 016.04	R9 312 361.82	R22 224 377.87	R22 224 377.87		R0.00



### 6.5.3 GRAP 17 DEPRECIATION OF THE ASSET (ESTABLISHMENT COST)

The total estimated capital cost to establish the Landfill Site amounting to R234 000 000 as set out in the Financial model (see clause 5).

With a useful life of 20 years and provided that no provision for impairment would be applicable, the depreciation per annum would be as follows:

Year	Depreciation	Depreciated Balance
2023	R11 700 000.00	R222 300 000.00
2024	R11 700 000.00	R210 600 000.00
2025	R11 700 000.00	R198 900 000.00
2026	R11 700 000.00	R187 200 000.00
2027	R11 700 000.00	R175 500 000.00
2028	R11 700 000.00	R163 800 000.00
2029	R11 700 000.00	R152 100 000.00
2030	R11 700 000.00	R140 400 000.00
2031	R11 700 000.00	R128 700 000.00
2032	R11 700 000.00	R117 000 000.00
2033	R11 700 000.00	R105 300 000.00
2034	R11 700 000.00	R93 600 000.00
2035	R11 700 000.00	R81 900 000.00
2036	R11 700 000.00	R70 200 000.00
2037	R11 700 000.00	R58 500 000.00
2038	R11 700 000.00	R46 800 000.00
2039	R11 700 000.00	R35 100 000.00
2040	R11 700 000.00	R23 400 000.00
2041	R11 700 000.00	R11 700 000.00
2042	R11 700 000.00	R0.00
	<b>R234 000 000.00</b>	

The GRAP standards applicable where the cost of the rehabilitation is to be settled by a third party are as follows:

- Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. **The amount recognised for the reimbursement shall not exceed the amount of the provision**
- In the statement of financial performance, the expense relating to a provision may be presented **net of the amount recognised for a reimbursement**.

Although the responsibility of Garden Route Municipality, the future rehabilitation cost would be fully recovered from the participating municipalities. As indicated above, the projected cost at the end of the useful life of R178 628.031, amounting to a present value of R24 249 570, when discounted.

To cover the R178 628 031, it takes an annual fixed amount of R4 357 260.30 (based on an investment of 20 annual deposits of R4 357 260.30 at an interest rate of 7% to yield R178 628 031 at maturity date, which coincides with the end of the useful life of the Landfill site, to be recovered and paid over the 20 years by the third parties.

<b>Interest Rate</b>			7%	
<b>Period in years</b>			20	
<b>Future Value</b>			R178 628 031.33	
<b>Annual payment</b>			R4 357 260.30	
<b>Year</b>	<b>Interest</b>	<b>Capital</b>		<b>Amount</b>
1		R4 357 260.30		R4 357 260.30
2	R305 008.22	R4 357 260.30		R9 019 528.83
3	R631 367.02	R4 357 260.30		R14 008 156.15
4	R980 570.93	R4 357 260.30		R19 345 987.39
5	R1 354 219.12	R4 357 260.30		R25 057 466.81
6	R1 754 022.68	R4 357 260.30		R31 168 749.79
7	R2 181 812.49	R4 357 260.30		R37 707 822.58
8	R2 639 547.58	R4 357 260.30		R44 704 630.46
9	R3 129 324.13	R4 357 260.30		R52 191 214.90
10	R3 653 385.04	R4 357 260.30		R60 201 860.24
11	R4 214 130.22	R4 357 260.30		R68 773 250.76
12	R4 814 127.55	R4 357 260.30		R77 944 638.62
13	R5 456 124.70	R4 357 260.30		R87 758 023.63
14	R6 143 061.65	R4 357 260.30		R98 258 345.59
15	R6 878 084.19	R4 357 260.30		R109 493 690.08
16	R7 664 558.31	R4 357 260.30		R121 515 508.69
17	R8 506 085.61	R4 357 260.30		R134 378 854.60
18	R9 406 519.82	R4 357 260.30		R148 142 634.73
19	R10 369 984.43	R4 357 260.30		R162 869 879.46
20	R11 400 891.56	R4 357 260.30		R178 628 031.33

These annual payments must then be separately deposited in an interest-bearing investment account, which would yield at least the equivalent of the future liability-rehabilitation cost of the landfill site. To achieve this, the annual deposits have to be adjusted and recovered when investment rates change.

The fixed amount must be split on a pro-rata basis between the municipalities according to the monthly volumes dumped as indicated in section 5.

## 8. STRUCTURE OF THE INTERIM TARIFF

The combined structure, which includes the separable figures, is reflected in the below table.

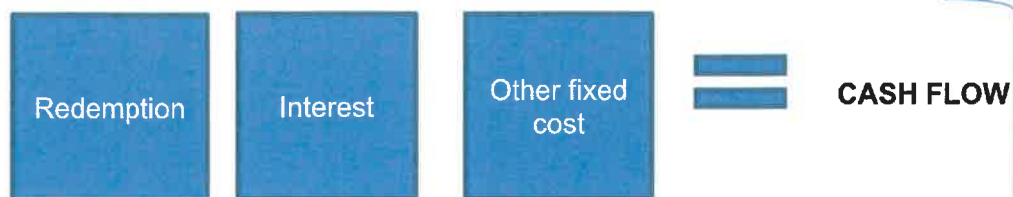
GRDM REGIONAL LANDFILL							
PRICE SCHEDULE ADJUSTMENTS - as amended 01/2022			Option C: 20-Years and 12m height				
ITEM	DESCRIPTION	Monthly quantity (ton) for bidding purposes	Total	Mossel Bay	George	Knysna	Bitou
	Monthly tonnages split		7 565	2 507	3 155	1 094	809
	Monthly tonnages percentage split		100%	33%	42%	14%	11%
<b>A.1</b>	<b>FIXED PORTION OF UNITARY FEE FOR ALL DISPOSAL SITE AND RELATED OPERATIONS</b>						
	Contractual requirements (includes all costs required to deliver/undertake the Service as per Technical Specifications including the Briefing Note 1)						
<b>A.1.1</b>	Mossel Bay Regional Landfill Site - General waste only	7 565	R 37 189 039	R 12 322 022	R 15 509 116	R 5 379 704	R 3 978 197
<b>A.1.6</b>	Chipping	7 495					
<b>A.1.7</b>	Mossel Bay Regional Landfill Site – Hazardous waste only	6	R 18 323	R 6 071	R 7 641	R 2 651	R 1 960
<b>A.1.8</b>	Crushing of Builders Rubble	14 435					
<b>A.1</b>	<b>SUBTOTAL A.1 (carried forward to summary)</b>		<b>R 37 207 362</b>	<b>R 12 328 093</b>	<b>R 15 516 758</b>	<b>R 5 382 354</b>	<b>R 3 980 157</b>
<b>A.2</b>	<b>VARIABLE PORTION OF UNITARY FEE FOR ALL DISPOSAL SITE AND RELATED OPERATIONS</b>						
	Contractual requirements (includes all costs required to deliver/undertake the Service as per Technical Specifications including the Briefing Note 1)						
<b>A.2.1</b>	Mossel Bay Regional Landfill Site - General waste only	7 565	R 2 704 475	R 896 087	R 1 127 860	R 391 225	R 289 304
<b>A.2.6</b>	Chipping	7 495					
<b>A.2.7</b>	Mossel Bay Regional Landfill Site – Hazardous waste only	6	R 2 062	R 683	R 860	R 298	R 221
<b>A.2.8</b>	Crushing of Builders Rubble	14 435	R 0				
<b>A.2</b>	<b>SUBTOTAL A.2 (carried forward to summary)</b>		<b>R 2 706 537</b>	<b>R 896 770</b>	<b>R 1 128 720</b>	<b>R 391 523</b>	<b>R 289 524</b>
<b>A.1 + A.2</b>	<b>SUBTOTAL A.1 plus A.2</b>		<b>R 39 913 899</b>	<b>R 13 224 863</b>	<b>R 16 645 477</b>	<b>R 5 773 877</b>	<b>R 4 269 681</b>
	Rehabilitation cost-annual contribution		R 4 357 260	R 1 443 712	R 1 817 128	R 630 314	R 466 106
	<b>SUBTOTAL INCLUDING REHABILITATION FUND</b>		<b>R 44 271 159</b>	<b>R 14 668 575</b>	<b>R 18 462 606</b>	<b>R 6 404 191</b>	<b>R 4 735 788</b>
	Eden administration fee	10%	R 4 427 116	R 1 466 857	R 1 846 261	R 640 419	R 473 579
	<b>SUBTOTAL INCLUDING EDEN ADMINISTRATION FEE</b>		<b>R 48 698 275</b>	<b>R 16 135 432</b>	<b>R 20 308 866</b>	<b>R 7 044 611</b>	<b>R 5 209 366</b>
	Plus 15% VAT	15%	<b>R 7 304 741</b>	<b>R 2 420 315</b>	<b>R 3 046 330</b>	<b>R 1 056 692</b>	<b>R 781 405</b>
	<b>TOTAL COST OPTION A (YEAR 1) (INCLUDING VAT)</b>		<b>R 56 003 017</b>	<b>R 18 555 747</b>	<b>R 23 355 196</b>	<b>R 8 101 302</b>	<b>R 5 990 771</b>

The accounting figures for non-cash transactions are excluded, and the redemption cost and Rehabilitation cost sinking fund contributions are included.

The redemption portion of the loan repayments and the rehabilitation sinking fund included in the cost structure to determine the total cost recovery would result at year-end a cash surplus that would be equal to the redemption portions, and the rehabilitation sinking fund is illustrated as follows:



### Fixed Cost



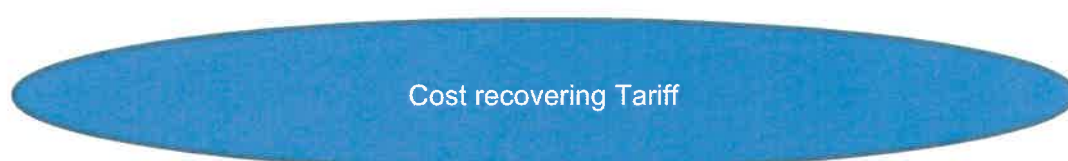
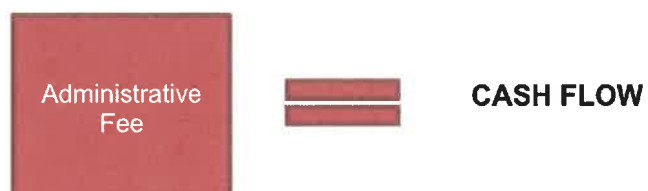
### Variable Cost

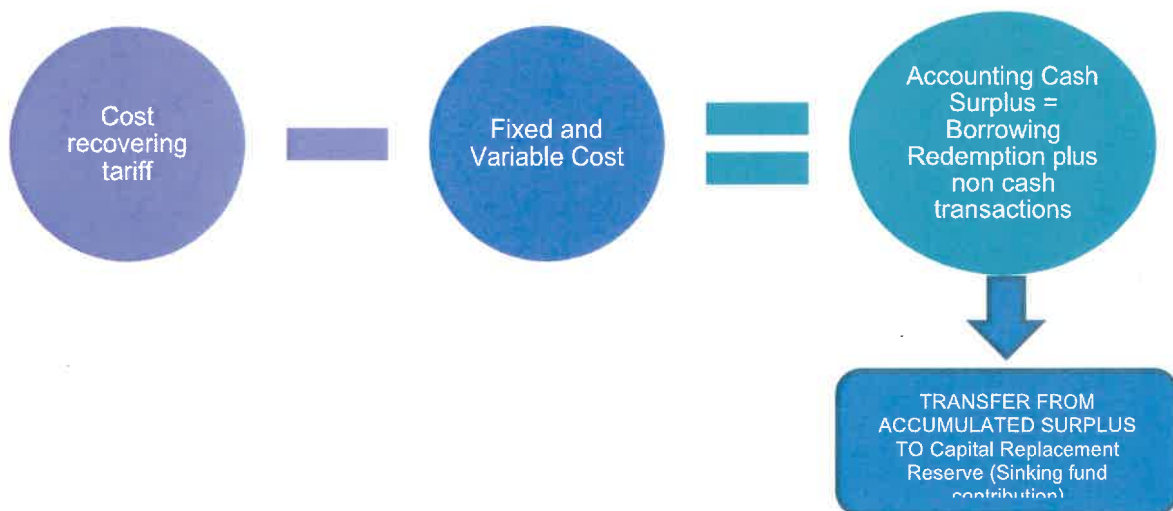


### GRAP Transactions (NO CASH FLOWS)



### Administration Fee





## 9. CONCLUSION

The annual cost recovering tariff (excluding VAT) as per participating municipality for the interim period is as follows:

	<b>Mosselbay</b>	<b>R 16 135 432</b>
	<b>George</b>	<b>R 20 308 866</b>
	<b>Knysna</b>	<b>R 7 044 611</b>
	<b>Bitou</b>	<b>R 5 209 366</b>

Yours faithfully



**Nico de Kock CA(SA)**  
Managing Director  
Mubesko Africa (Pty) Ltd